United Nations E/CN.3/2012/11

Economic and Social Council

Distr.: General
15 December 2011

Original: English

Statistical Commission
Forty-third session
28 February-2 March 2012
Item 3 (h) of the provisional agenda*
Items for discussion and decision: statistics for economies based on natural resources

Joint report of Mongolia and Australia on the establishment of an Ulaanbaatar group on statistics for economies based on natural resources

Note by the Secretary-General

The Secretary-General has the honour to transmit the joint report of Mongolia and Australia on the establishment of an Ulaanbaatar group on statistics for economies based on natural resources. Many countries with rapidly growing industries based on natural resources, particularly mining, are facing methodological challenges. At the international level, better information is needed on activities based on natural resources. To help address these issues, it is proposed that a new group, the Ulaanbaatar group on statistics for economies based on natural resources, be established. The Statistical Commission is invited to endorse the establishment of this group.

* E/CN.3/2012/1.

11-64119 (E) 060112

Please recycle

Joint report of Mongolia and Australia on the establishment of an Ulaanbaatar group on statistics for economies based on natural resources

I. Introduction

1. In many countries, the mining industry is developing rapidly, generating substantial increases in revenue and resulting in a rapid growth in those economies based on natural resources. The mining industry's impact on the environment is also expected to increase over time.

2. This new wave of development of the mining industry is posing new challenges to the national statistical institutions of both developed and developing countries with a significant natural resources base. Furthermore, there are deficiencies in the availability of mining statistics that are comparable across countries, which would facilitate trade and investment decisions.

3. It is proposed that a new group, the Ulaanbaatar group on statistics for economies based on natural resources, be established to address methodological issues related to statistics on natural resources and contribute to improving international standards and methods for producing such statistics, by pooling expertise from various countries.

4. The group would deal with statistics on the direct and indirect activities related to and the impact of mining and quarrying. Mining, henceforth understood to include quarrying, is defined as the extraction of minerals occurring naturally as solids (coal and ores), liquids (petroleum) or gases (natural gas).[1] Direct activities and impacts are those associated with the extraction process itself, including specialized support services. Indirect activities and impacts include those associated with downstream processing, as well as mining-related components of other activities that are closely associated with mining, such as construction, transportation and the provision of technical services. The economic, environmental and social impact would also be considered by the group.

II. Objectives

5. The objectives of the proposed group are the following:

(a) To play a leading role in developing methodological and practical guidelines and recommendations by pooling best theoretical and methodological practices, in order to rationally track mining industry activities and accurately measure the industry's contribution to the economy and its impact on other social sectors and the environment within the framework of the System of National Accounts;

(b) To serve as a forum for sharing the expertise of national and international statistical organizations and other interested parties;

[1] See *International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4* (United Nations publication, Sales No. E.08.XVII.25)

(c) To collaborate with the United Nations and the specialized agencies on developing and improving statistical methodologies and standards for statistics on natural resources and provide support in this area;

(d) To develop practical manuals and recommendations that ensure coverage and the reliability, accuracy and relevance of statistical data and that are based on best practices, to support the efforts made by countries with large mining sectors to implement the *System of National Accounts 2008*,[2] the System of Environmental-Economic Accounting and the revised Framework for the Development of Environmental Statistics.

III. Activities

6. To meet the objectives set out above, the group would do the following:

(a) Assess the impact of the mining industry on economies and develop methodological questions and practical recommendations on how to demonstrate the impact in official statistics;

(b) Develop methodologies and indicators for measuring the benefits provided by and the influence exerted over other social sectors by the mining industry;

(c) Develop practical recommendations for measuring and identifying the impact of the mining industry on the environment;

(d) Develop a system of standard indicators for data collection.

7. Some specific issues that could be addressed in the first three of these areas are listed in the annex. A more comprehensive list of activities and associated issues could be drawn up by the group at its first meeting.

8. The group would study good practices, gather expertise and build on work already done by other city groups, including the Oslo Group on Energy Statistics and the London Group on Environmental-Economic Accounting.

IV. Method of operation

9. Members of the Ulaanbaatar group would be invited from national statistical offices, international organizations and relevant academic entities working in the field of natural-resource economics. In addition, relevant policymakers would be invited as advisers to assist the group in understanding the policy issues that the statistics should provide information on.

10. The secretariat for the group will be provided for jointly by the National Statistical Office of Mongolia and the Australian Bureau of Statistics.

11. The group would carry out its work by holding face-to-face meetings (no more than once a year) and through electronic discussion forums. It is proposed that the first meeting of the group be held in the first half of 2012.

[2] United Nations publication, Sales No. E.08.XVII.29.

12. It is also proposed that the group operate initially for a five-year period, from 2012 to 2016, after which time a review would be carried out to assess whether the group was still needed.

13. The group would report to the Statistical Commission at its sessions in 2013, 2015 and 2017.

V. Points for discussion

14. The Commission is invited to discuss the establishment of the Ulaanbaatar group on statistics for economies based on natural resources, as well as its proposed objectives (see section II of the present report), its activities (section III) and its method of operation (section IV).

Annex

1. Issues that could be addressed within the scope of activity 1 include the following:

(a) The impact of the mining industry on a country's economy could be articulated and analysed. In addition to carrying out their main activities, mining enterprises also engage in the development of infrastructure, including roads, transportation and communications, as well as the service sector. Some of these activities are not currently classified under the mining sector. An assessment of the contribution made by the mining sector could include these indirect contributions;

(b) The mining sector plays an important role in total production and the unit price of mining products could affect the assessment of the contribution to the national economy. The price of mining products fluctuates relatively significantly, influencing estimates of the gross domestic product (GDP) at current and constant prices. Therefore, a methodological assessment should be carried out on the impact of price volatility;

(c) Considering that investment is one the components of GDP estimates, the issue of how to accurately estimate direct foreign investment should also be addressed. There is an urgent need to define an efficient methodology for collecting data on the capital expenditure of mining industries and for information on foreign direct investment for foreign investors;

(d) Indicators for assessing the actual gains made from investment need to be identified;

(e) Methodologies and recommendations for determining the size of the informal mining sector are needed. Due to the specific nature of the mining industry, workers engaged in the informal mining sector are likely to be constantly migrating, moving from site to site, which could hinder their involvement in household surveys. As already mentioned,, the price of mining products in the formal sector is high, and the cost of such products in the informal sector, within which mining represents a large share, is also estimated to be large. Therefore, the issue of how to calculate the economic contribution of the informal mining sector should be addressed;

(f) Some mining products are being handled by a single company, which raises the issue of how data confidentiality should be addressed;

(g) The issue of the classification and identification of activities of transnational companies for the accurate estimation of GDP and associated income flows could also be addressed.

2. An issue that could be addressed within the scope of activity 2 is that of the enormous impact of the mining sector on the social sectors. Measuring the influence derived from the benefits arising from and the income generated by the mining sector on the living standards and poverty profile of the population is important. The spillover effects of the mining industry should be identified and studied.

3. Issues that could be addressed within the scope of activity 3 include the following:

(a) How to measure the increasing impact of the mining sector on the environment. The group could improve indicators to estimate the sustainable development of affected countries;

(b) Recommendations should be made with regard to the development of economic accounting systems for the environment and on the development of relevant data sources, as well as on improving understanding of what constitutes a green economy and green growth and on other issues related to sustainable development;

(c) There is an increasing demand for the development of methodologies and the identification of indicators for measuring desertification due to the inappropriate use of mining procedures. There is a need to study the extent of desertification and ways to measure it effectively.